

= Certified Public Accountants

ST. JOSEPH HOUSING COMMISSION
ST. JOSEPH, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

^{496 (02/0} Audi	tin	g P	rocedures Repo	rt					
			2 of 1968, as amended and P.	A. 71 of 1919, a	s amended.	111.9.1		<u> </u>	County
Local L	Jnit o	of Gov	ernment Type			Local Unit Nam		oion	County
					⊠Other	St. Joseph	Housing Commis		
Fiscal `			''	pinion Date	١ ٦		Date Audit Report S	submitted to state	
Marc				July 18, 200	,,,				
We aff				d to 200	otion in M	iobigan			
			d public accountants lic				and in the financial (etatamente inclu	ding the notes or in the
We fur Manag	the gem	r attii ent L	rm the following material Letter (report of commer	nts and recor	mmendati	ons).	sed in the illiancials	statements, inclu	ding the notes, or in the
!	YES	9	Check each applicab						
1. [X		reporting entity notes t	o the financia	al stateme	ents as neces	sary.		ments and/or disclosed in the
2. [×		There are no accumula (P.A. 275 of 1980) or	ated deficits i the local unit	in one or it has not e	more of this u exceeded its b	nit's unreserved fur oudget for expenditu	nd balances/unre ures.	stricted net assets
3. [X		The local unit is in com	npliance with	the Unifo	rm Chart of A	accounts issued by t	the Department o	of Treasury.
4. [×		The local unit has ado	pted a budge	et for all re	equired funds.			
5. [X		A public hearing on the	e budget was	s held in a	ccordance wi	th State statute.		
6. [X		The local unit has not other guidance as issu	violated the led to the led by the Lo	Municipal ocal Audit	Finance Act, and Finance	an order issued und Division.	der the Emergen	cy Municipal Loan Act, or
7. [X		The local unit has not	been delinqu	ent in dis	tributing tax r	evenues that were o	collected for anot	her taxing unit.
8. [X		The local unit only hold	ds deposits/ii	nvestmen	ts that comply	with statutory requ	uirements.	
9. 1	×		The local unit has no it	llegal or unau	uthorized nt in Mich	expenditures igan, as revis	that came to our at ed (see Appendix F	tention as define I of Bulletin).	d in the <i>Bulletin for</i>
10.	×		There are no indication that have not been communicated	eviously com	municated	to the Local	Audit and Finance	Division (LAFD).	uring the course of our audit If there is such activity that h
11.	X		The local unit is free o	f repeated co	omments :	from previous	years.		
12.	X		The audit opinion is Ul	NQUALIFIE) .				
13.	X		The local unit has com accepted accounting p	nplied with Ga principles (Ga	ASB 34 o AAP).	r GASB 34 as	modified by MCGA	AA Statement #7	and other generally
14.	×		The board or council a	approves all i	nvoices p	rior to payme	nt as required by ch	narter or statute.	
15.	X		To our knowledge, bar	nk reconcilia	tions that	were reviewe	d were performed t	imely.	
includ desci	ded ripti	in t on(s	his or any other audit) of the authority and/or	report, nor o commission	do they of	btain a stand	l-alone audit, pleas	e boundaries of see enclose the n	the audited entity and is not ame(s), address(es), and a
I, the	un	dersi	gned, certify that this st	atement is o	omplete a	nd accurate i	n all respects.		
We h	av	e en	closed the following:		Enclosed	Not Require	ed (enter a brief justific	cation)	
Finar	ncia	ıl Sta	tements		\boxtimes				
The	ette	er of	Comments and Recom	mendations	\boxtimes				
Othe	er (D	escrib	ne)	_					
Certifi	ed P	ublic	Accountant (Firm Name)				Telephone Number		
Sailor, Khan & Co., LLC 314-726-3308									
Street							City	State	Zip 63105
P.C). B	ox 1	6180			inted Name	St. Louis	MO License N	

Shah I Khan

1102001772

ST. JOSEPH HOUSING COMMISSION St. Joseph, Michigan

TABLE OF CONTENTS

MARCH 31, 2007

	Page
Independent Auditor's Report	i
Management's Discussion and Analysis (unaudited)	ii-vii
Basic Financial Statements:	
Statement of Net Assets	1-2
Statement of Revenue, Expenses and Changes in Net Assets	3
Statement of Cash Flows	4-5
Notes to Basic Financial Statements	6-16
SUPPLEMENTAL INFORMATION	
Combining Statement of Net Assets By Program	17-18
Combining Statement of Revenue, Expenses and Changes in Fund Net Assets By Program	19-20
Combining Statement of Cash Flows By Program	21-22
PHA's Statement and Certification of Capital Fund Program Costs	23
Financial Data Schedule	24-27
REPORTS ON COMPLIANCE AND ON INTERNAL CONTROL	
- Control over Financial Reporting and on Compliance and Other Matters	
Report on Internal Control over I mailetal Reporting and our Page Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	28-29
Significant Deficiencies Communicated in Prior Years	30
Schedule of Findings and Responses	31

Sailor

Certified Public Accountants

Khan & Co. LLC

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners St. Joseph Housing Commission St. Joseph, Michigan

We have audited the accompanying basic financial statements of the St. Joseph Housing Commission, Michigan, (Commission) as of and for the year ended March 31, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the St. Joseph Housing Commission, Michigan, as of March 31, 2007, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 18, 2007, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages ii to vii is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sailor, Khan & Co. LLC

July 18, 2007

St. Joseph Housing Commission

Management's Discussion and Analysis (MD&A) March 31, 2007 (Unaudited)

This section of the St. Joseph Housing Commission (Commission) annual financial report presents our management's discussion and analysis of the Commission's financial performance during the fiscal year ended on March 31, 2007. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2007 were \$1,280,994. The net assets decreased by \$3,183, a decrease of 0.2% from the prior year.

Revenues and contributions for the Commission were \$537,889 for the year ended March 31, 2007. This was a decrease of \$92,042 or 14.6% from the prior year.

Expenses for the Commission were \$542,102 for the year ended March 31, 2007. This was a decrease of \$7,809 or 1.4% from the prior year.

HUD operating grants were \$139,673 for the year ended March 31, 2007. This was an increase of \$12,236 or 9.6% over the prior year. Capital contributions for the Commission were \$23,756 for the year ended March 31, 2007. This was a decrease of \$133,856 or 84.9% from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this Management Discussion and Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. This report also contains the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information. HUD has established Uniform Financial Reporting Standards that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended March 31, 2007 and is required to be included in the audit reporting package.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table on the following page, assets exceeded liabilities by \$1,280,994 at the close of the year ended March 31, 2007, down from \$1,284,177 in 2006. The decrease in net assets of \$3,183 was partially due to an increase in year-end liabilities, by accruing utility expenses.

The unrestricted net assets were \$471,514 as of March 31, 2007. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF NET ASSETS MARCH 31,

	2007	2006	Dollar Change	Percent Change
Current and other assets Capital assets Total Assets	\$ 534,365	420,832	\$ 113,533	27.0%
	809,480	912,065	(102,585)	-11.2%
	1,343,845	1,332,897	10,948	0.8%
Current liabilities Noncurrent liabilities Total Liabilities	60,032	46,320	13,712	29.6%
	2,819	2,400	419	14.9%
	62,851	48,720	14,131	29.0%
Net Assets Invested in capital assets Unrestricted Total Net Assets	809,480	912,065	(102,585)	-11.2%
	471,514	372,112	99,402	26.7%
	1,280,994	1,284,177	(3,183)	-0.2%
Total Liabilities and Net Assets	\$ <u>1,343,845</u>	\$1,332,897	\$10,948	

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table on the following page, total revenues and contributions decreased by \$92,042. This was due to a decrease in capital contributions of \$133,856. There were increases in HUD operating grants of \$12,236, in other income of \$929 and in rental revenue of \$22,499. The majority of other revenue is income derived from rental of roof property to cell phone companies.

Interest Income increased by 44.1% from FYE 2006 jointly due to the management of funds in a variety of investment accounts at LaSalle Bank Midwest during FY 2007 and increases in interest rates by the Federal government. The St. Joseph Housing Commission has a five-year CD at Chemical Bank Shoreline with an interest rate that increases a half of a percent yearly.

Capital Contributions decreased by 84.9% from FY 2006. There were no major projects assigned in FY 2007. The majority of the funds disbursed in this fiscal year were to complete the payment for the brick restoration project (CFP 2005 - \$12,862). The final CFP 2003A funds (\$977) were used to purchase signs and a rent lock box. Other funds from CFP 2005 were used to purchase a new office computer (\$1,764), repair the laundry room exhaust system (\$1,210), and place door closures on all apartment entrance doors (\$1,406). CFP 2006 funds were used to purchase refrigerators and office file cabinets (\$5,212).

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS YEAR ENDED MARCH 31,

	2007	2006	Dollar Change	Percent Change
Revenues and Contributions				
Operating - non-operating -capital				
contributions:	# 210.022	\$ 296,533	22,499	7.6%
Rental revenue	\$ 319,032	\$ 296,533 127,437	12,236	9.6%
HUD operating grants	139,673 20,101	13,951	6,150	44.1%
Interest income	•	157,612	(133,856)	-84.9%
Capital Contributions	23,756	34,398	929	2.7%
Other income	35,327		(92,042)	-14.6%
Total Revenues and Contributions	537,889	629,931	(92,042)	14.070
7 0				
Expenses	171,280	169,766	1,514	0.9%
Personal services	121,309	111,373	9,936	8.9%
Utilities	46,638	52,498	(5,860)	-11.2%
Operations and maintenance	559		559	100.0%
Non routine maintenance	19,128	18,321	807	4.4%
Insurance	20,908	20,734	174	0.8%
Payment in lieu of taxes	34,448	30,531	3,917	12.8%
Other supplies and expenses	127,832		(18,856)	-12.9%
Depreciation Total Expenses	542,102	-	(7,809)	-1.4%
Change in net assets	(4,213)	80,020	(84,233)	
Designation and assets	1,284,177	1,204,157	80,020	
Beginning net assets Prior period adjustments	1,030		1,030	
Beginning net assets, adjusted	1,285,207	1,204,157	81,050	
Ending net assets	\$1,280,994	\$ 1,284,177	\$ (3,183)	

Total expenses for the Authority decreased by \$7,809 due to personal service expenses increased by .9% or \$1,514. The overall utility expense increased by 8.9% or \$9,936. The utilities expense is comprised of gas, water and electricity expenses. There was an increase in all utilities for FYE 2007: 49.2% for water, 12.3% for electric and 2.4% for gas. Some utilities show a considerable increase from FYE 2006 to FYE 2007. This is primarily due to accruing an additional month of utility expense to conform to HUD procedures. The offset will occur in FYE 2008 – where only eleven months of utilities will be expensed. Without the additional month of accrual, the percentage of increase would have only been 10.3% for water and 5.6% for electric – with a decrease of 7.6% in gas. There was a decrease in operations and maintenance of 11.2% (\$5,860). Insurance costs increased by \$807, thus increasing by 4.4%.

FINANCIAL ANALYSIS (CONTINUED)

The other supplies and expenses line item is comprised of a combination of expenses in the Low-Rent Program and other operating-administrative expenses of the grant funds. The Low-Rent Program consists of the legal expenses, travel expenses, accounting fees, audit fees, other administrative and sundry expenses, telephone expenses, and recreational and publication expenses. Administrative expenses in the grant fund are comprised primarily of educational expenses and costs for office improvements.

The occupancy level for this project was 98.1%. The Public Housing units are located at Lake View Terrace Highrise, 601 Port Street, St. Joseph, MI 49085.

CAPITAL ASSETS

Capital Assets - The St. Joseph Housing Commission's investment in capital assets, as of March 31, 2007 amounts to \$809,480 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION

	2007	2006	Dollar Change
Land Building Furniture, equipment and machinery- dwelling Furniture, equipment and machinery- administration Leasehold improvements Construction in progress	\$ 19,8 2,919,5 39,7 76,8 94,3 55,8	58 37,926 83 75,287 50 94,350	14,471 1,832 1,596 0
, 0	3,206,1	3,185,025	21,161
Accumulated depreciation	2,396,7	2,272,960	123,746
Total	\$809,4	\$ <u>912,065</u>	\$ (102,585)

The total decrease in the Commission's capital assets for the current fiscal year was \$102,585 or 11.2% in terms of net book value. Actual expenditures to purchase equipment and construct capital assets were \$25,246 for the year. The Commission has \$143,954 available in Capital Funds to draw down and spend in the future.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations; therefore, the Housing Commission is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2008 Federal budget.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Nancy E. Walker, Executive Director, St. Joseph Housing Commission, 601 Port Street, Office, St. Joseph, MI 49085.

St. Joseph, Michigan

STATEMENT OF NET ASSETS

March 31, 2007

ASSETS		
Current Assets:	\$	439,270.97
Cash and cash equivalents	Ψ	75,748.36
Investments		75,710.50
Receivable - net of allowances:		800.98
Accounts		445.68
Accrued interest		18,099.00
Prepaid expenses	-	10,077.00
Total Current Assets	_	534,364.99
Noncurrent Assets:		
Capital assets:		75,657.52
Land, improvements, and construction in progress		733,822.13
Other capital assets, net of depreciation	_	
Total capital assets- net	_	809,479.65
Total Noncurrent Assets	_	809,479.65
Total Assets	\$_	1,343,844.64

St. Joseph, Michigan

STATEMENT OF NET ASSETS (CONTINUED)

March 31, 2007

LIABILITIES	
Current Liabilities:	\$ 35,017.02
Accounts Payable	7,865.32
Accrued compensated absences	11,852.00
Tenant security deposit liability	5,297.00
Deferred revenues	
Total Current Liabilities	60,031.34
Noncurrent Liabilities:	2,819.09
Accrued compensated absences	
Total Noncurrent Liabilities	2,819.09
Total Liabilities	62,850.43
NET ASSETS	809,479.65
Invested in capital assets	471,514.56
Unrestricted	471,514.50
Total Net Assets	1,280,994.21
Total Liabilities and Net Assets	\$1,343,844.64

St. Joseph, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

Operating Revenues:	\$	319,032.00
Rental revenue	Ф	139,672.94
Operating subsidies- HUD grants		35,327.02
Other revenues		33,327.02
Total operating revenues		494,031.96
Operating Expenses:		171,280.06
Personal services		171,280.00
Utilities		46,637.74
Operations and maintenance		558.86
Non routine maintenance		19,128.00
Insurance		20,908.22
Payment in lieu of taxes		34,447.92
Other supplies and expenses		127,831.75
Depreciation		127,031.73
Total operating expenses	_	542,101.48
Operating income (loss)	_	(48,069.52)
Non-operating revenues (expenses):		20 100 09
Interest and investment earnings	_	20,100.98
Net non-operating revenues (expenses)	_	20,100.98
Income (loss) before other revenues, expenses,		
gains, losses and transfers		(27,968.54)
Capital contributions	_	23,755.97
Change in net assets		(4,212.57)
Net assets at beginning of year		1,284,177.20
Prior period error corrections	_	<u>1,</u> 029.58
Filor period error corrections		
Net assets adjusted at beginning of year	_	1,285,206.78
Net assets at end of year	\$ =	1,280,994.21

St. Joseph, Michigan

STATEMENT OF CASH FLOWS

Cash flows from operating activities:	\$	318,374.50
Cash received from tenants	Ð	139,672.94
Cash received from HUD grants- operating		35,234.04
Cash received from other operating activities		(220,692.64)
Cash payments for goods and services		(132,663.39)
Cash payments to employees-salaries		
Cash payments for employee benefit contributions		(37,012.22)
Cash payments for in lieu of property taxes	-	(19,704.44)
Net cash provided (used) by operating activities		83,208.79
Cash flows from capital and related financing activities:		22 755 07
Capital contributions		23,755.97
Payments for capital assets	_	(25,246.14)
Net cash (used) for capital and related financing activities	_	(1,490.17)
Cash flows from investing activities:		46 504 50
Proceeds from sale of (payments) for investments		46,794.70
Interest and dividends		20,461.86
Receipts (payments) from tenant security deposits		561.00
Net cash provided (used) from investing activities	_	67,817.56
		149,536.18
Net increase (decrease) in cash and cash equivalents	_	289,734.79
Cash and cash equivalents at beginning of year	-	
Cash and cash equivalents at end of year	\$ =	439,270.97

St. Joseph, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended March 31, 2007

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

provided (used) by operating activities.	\$	(48,069.52)
Operating income (loss)	T)	(40,007.52)
Adjustments to reconcile operating income to net cash provided		
(used) by operating activities:		127,831.75
Depreciation expense		379.00
Allowance for doubtful accounts		3/9.00
Changes in assets and liabilities:		(198.48)
Receivables		(11,333.00)
Prepaid expenses		13,925.59
Accounts and other payables		(931.00)
Deferred revenues		1,604.45
Compensated absences	_	1,004.43
Net cash provided (used) by operating activities	\$ <u></u>	83,208.79

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

March 31, 2007

NOTE 1 - Summary of Significant Accounting Policies

The St. Joseph Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1a. Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:

Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB no 39, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1b. Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Commission's programs as an enterprise fund.

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description		
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.		
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.		

1c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable miscellaneous compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for it's operating programs and on a project length basis for it's capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$500.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- N.P.	15 - 40	years
Buildings Furniture, equipment and machinery - dwelling	10	years
Furniture, equipment and machinery - administration	5 - 10	years
Furniture, equipment and machinery	15	years
Leasehold improvements		-

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Commission had no related debt.
- b. Unrestricted net assets—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1e. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses and Change in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

NOTE 2 - Stewardship, Compliance, and Accountability

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

2a. Program Accounting Requirements

The Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development

2b. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

NOTE 2 - Stewardship, Compliance, and Accountability (Continued)

2c. Revenue Restrictions

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

Revenue Source Capital Fund Program Legal Restrictions of Use Modernization

For the year ended March 31, 2007, the Commission complied, in all material respects, with these revenue restrictions.

NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3a. Cash and Investments

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it or the Commission will not be able to recover collateral securities in the possession of an outside party. As of March 31, 2007, the Commission's bank balances of \$475,332.95, were insured by federal depository insurance or collateralized with securities held by the pledging financial institutions in the Commission's name.

Investments

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of March 31, 2007, the Commission's investments were \$75,748.36. These investments were insured by federal depository insurance or registered, or securities held by the Commission or its agent in the Commission's name.

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3a. Cash and Investments (Continued)

Investments (Continued)

Credit Risk Investments, Concentrations of Credit Risk and Interest Rate Risk - Investments:

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commission will minimize credit risk by reviewing the financial institutions with which the Commission will do business so that potential losses on individual securities will be minimized.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority has chosen longer term investments due to current favorable rates. Longer terms will minimize the adverse effect of possible future declining rates.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer. The Commission does not have a written investment policy covering concentration of credit risk.

3b. Accounts Receivable

Receivables detail at March 31, 2007, is as follows:

Tenant accounts receivable Allowance for doubtful accounts	\$ 1,087.00 (379.00)
Tenants accounts receivable - net Accounts receivable - other	708.00 92.98
	\$800.98

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3c. Capital Assets

Capital asset activity for the year ended March 31, 2007, was as follows:

	_	Balance April I, 2006	Additions	(Retirements)	_	Balance March 31, 2007
Land Building	\$	19,800.00 2,905,066.30	\$ 14,470.80	\$ 	\$	19,800.00 2,919,53 7 .10
Furniture, equipment and machinery- dwelling		37,926.00	1,832.00			39,758.00
Furniture, equipment and machinery- administration		75,286.80 94,349.73	5,682.52	(4,085.99)		76,883.33 94,349.73
Leasehold improvements Construction in progress	_	52,596.70	3,260.82		-	55,857.52
		3,185,025.53	\$ 25,246.14	\$ (4,085.99)		3,206,185.68
Accumulated depreciation	_	2,272,960.27	\$ 127,831.75	\$ (4,085.99)	_	2,396,706.03
Total	\$	912,065.26			\$_	809,479.65

3d. Accounts Payable

Payable detail at March 31, 2007, is as follows:

Accounts payable - vendors Accounts payable - other government - PILOT	\$ 14,108.80 20,908.22
	\$ 35,017.02

3e. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at March 31, 2007 is \$10,684.41.

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3f. Non-current Liabilities

As of March 31, 2007, the non-current liabilities are comprised of the following:

Accrued compensated absences - non current portion \$\,\ \begin{array}{c} 2,819.09 \\ \end{array}\$

Total \$\,\ \begin{array}{c} 2,819.09 \\ \end{array}\$

The following is a summary of changes in non-current liabilities for the year ended March 31, 2007:

	N 	Balance March 31, 2006	_	Additions	<u>Deductions</u>	_	Balance March 31, 2007		Amounts Due within One Year
Accrued compensated absences	\$	2,399.79	\$_	419.30	\$ 	\$_	2,819.09	\$_	7,865.32
Total	\$_	2,399.79	\$ _	419.30	\$ 	\$ =	2,819.09	\$ _	7,865.32

3g. Interprogram Transactions and Balances

Operating Transfers

	Transfers in		Transfers out
Public and Indian Housing - Low Rent Capital Fund Program	\$ 10,807.00	\$	10,8 <u>07.00</u>
Total	\$ 10,807.00	\$_	10,807.00

Transfers are used to move revenues from the program that is authorized to transfer them to the program in accordance with budgetary authorizations.

3h. Unrestricted net assets - Prior-period Error Corrections

Following is the composite of error corrections:

1. PILOT liability - PILOT refund	\$ 1,029.58
Totals	\$ 1,029.58

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

NOTE 4 - Other Notes

4a. Employee Retirement Plan

Defined Benefit Plan: The Commission has also provided a defined benefit plan. The defined benefit plan is available to all full-time employees not already participating in another plan. In a defined benefit plan, benefits to be provided at a future or after a certain period of time are specified. Benefits vest after 10 years of service.

The Defined Benefit Plan is administered by the City of St. Joseph. Employees contribute 4% of payroll. The plan is fully funded through the City of St. Joseph and no contributions were made by the public housing commission.

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

a.	Type of Loss Torts, errors and omissions	Method Managed Purchased insurance with Housing Authority Risk Retention Group
b.	Injuries to employees (workers' compensation)	Purchased insurance handled through the City of St. Joseph; Claims are administered through the City of St. Joseph
c.	Physical property loss and natural disasters	Purchased commercial insurance with \$1,000.00 deductibles.
d.	Health and life	Health and Life insurance is purchased through the City of St. Joseph, health insurance with Blue Cross Blue Shield of Michigan and Life insurance is provided by LaFayette Life Insurance Company

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

St. Joseph, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

March 31, 2007

NOTE 4 - Other Notes (Continued)

4c. Commitments and Contingencies

Commitments—Construction

At March 31, 2007, the Commission had the following pending construction projects in progress:

	 Funds Approved	_	Funds Expended - Project to Date
CFP 501-05 CFP 501-06	\$ 122,178.00 108,075.00	\$ _	70,280.48 16,018.35
	\$ 230,253.00	\$_	86,298.83

Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

St. Joseph, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM

March 31, 2007

	_	Low Rent Program	-	al Fund gram	_	Totals
ASSETS						
Current Assets: Cash and cash equivalents Investments	\$	439,270.97 75,748.36	\$		\$	439,270.97 75,748.36
Receivable - net of allowances: Accounts Accrued interest Prepaid expenses	_	800.98 445.68 18,099.00			_	800.98 445.68 18,099.00
Total Current Assets	_	534,364.99				534,364.99
Noncurrent Assets:						
Capital assets: Land, improvements, and construction in progress Other capital assets, net of depreciation	-	19,800.00 712,792.74		55,857.52 21,029.39	_	75,657.52 733,822.13
Total capital assets- net	-	732,592.74		76,886.91	_	809,479.65
Total Noncurrent Assets	•	732,592.74		76,886.91	_	809,479.65
Total Assets	\$	1,266,957.73	\$	76,886.91	\$_	1,343,844.64

St. Joseph, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

March 31, 2007

	_	Low Rent Program	-	ital Fund rogram	_	Totals
LIABILITIES						
Current Liabilities:	¢.	25 017 02	¢		\$	35,017.02
Accounts Payable	\$	35,017.02	Ъ		Ð	7,865.32
Accrued compensated absences		7,865.32				11,852.00
Tenant security deposit liability		11,852.00				5,297.00
Deferred revenues	_	5,297.00			_	3,297.00
Total Current Liabilities	-	60,031.34			_	60,031.34
Noncurrent Liabilities:		2,819.09				2,819.09
Accrued compensated absences	-	2,819.09			_	2,017.07
Total Noncurrent Liabilities	_	2,819.09			_	2,819.09
Total Liabilities	_	62,850.43			_	62,850.43
NET ASSETS						
Invested in capital assets		732,592.74		76,886.91		809,479.65
Unrestricted	-	471,514.56			_	471 <u>,514.56</u>
Total Net Assets	-	1,204,107.30		76,886.91	_	1,280,994.21
Total Liabilities and Net Assets	\$_	1,266,957.73	\$	76,886.91	\$_	1,343,844.64

St. Joseph, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)

	Low Rent Program	Capital Fund Program	Totals
Net assets at beginning of year	1,121,895.69	162,281.51	1,284,177.20
Prior period error corrections	1,029.58		1,029.58
Net assets adjusted at beginning of year	1,122,925.27	162,281.51	1,285,206.78
Equity transfers	108,222.52	(108,222.52)	
Net assets at end of year	\$ 1,204,107.30	76,886.91	1,280,994.21

St. Joseph. Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

	_	Low Rent Program	_	Capital Fund Program	_	Totals
Cash flows from operating activities:						
Cash received from tenants	\$	318,374.50	\$		\$	318,374.50
Cash received from HUD grants- operating		127,287.00		12,385.94		139,672.94
Cash received from other operating activities		35,234.04				35,234.04
Cash payments for goods and services		(219,113.70)		(1,578.94)		(220,692.64)
Cash payments to employees-salaries		(132,663.39)				(132,663.39)
Cash payments for employee benefit contributions		(37,012.22)				(37,012.22)
Cash payments for in lieu of property taxes	_	(19,704.44)	-		-	(19,704.44)
Net cash provided (used) by operating activities	_	72,401.79	-	10,807.00	_	83,208.79
Cash flows from noncapital financing activities: Operating transfers in (out)		10,807.00	_	(10,807.00)	_	
	_		_			
Net cash provided (used) from non capital financing activities	_	10,807.00	-	(10,807.00)	-	
Cash flows from capital and related financing						
activities:				23,755.97		23,755.97
Capital contributions		(1.400.17)		(23,755.97)		(25,246.14)
Payments for capital assets	-	(1,490.17)	-	(23,733.97)	-	(23,240.14)
Net cash (used) for capital and related financing activities	_	(1,490.17)	-		-	(1,490.17)
Cash flows from investing activities:		44 504 50				46,794.70
Proceeds from sale of (payments) for investments		46,794.70 20,461.86				20,461.86
Interest and dividends		561.00		7		561.00
Receipts (payments) from tenant security deposits	-	301.00			-	301.00
Net cash provided (used) from investing activities	-	67,817.56			-	67,817.56
Net increase (decrease) in cash and cash equivalents		149,536.18				149,536.18
Cash and cash equivalents at beginning of year	-	289,734.79			-	289,734.79
Cash and cash equivalents at end of year	\$ =	439,270.97	\$		\$ =	439,270.97

St. Joseph, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

	_	Low Rent Program		apital Fund Program	_	Totals
Reconciliation of operating income (loss) to net cash provided (used) by operating activities: Operating income (loss) Adjustments to reconcile operating income to net cash	\$	(57,948.47)	\$	9,878.95	\$	(48,069.52)
provided (used) by operating activities: Depreciation expense Allowance for doubtful accounts		126,903.70 379.00		928.05		127,831.75 379.00
Changes in assets and liabilities: Receivables Prepaid expenses Accounts and other payables Deferred revenues Compensated absences	-	(198.48) (11,333.00) 13,925.59 (931.00) 1,604.45	_		_	(198.48) (11,333.00) 13,925.59 (931.00) 1,604.45
Net cash provided (used) by operating activities	\$_	72,401.79	\$	10,807.00	\$_	83,208.79

St. Joseph, Michigan

PHA'S STATEMENT AND CERTIFICATION OF CAPITAL FUND PROGRAM COSTS

March 31, 2007

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 502-03</u>	_
Funds approved Funds expended	\$ 21,810.00 21,810.00	
Excess of Funds Approved	\$	=
Funds advanced Funds expended	\$ 21,810.00 21,810.00	
Excess (deficiency) of Funds Advanced	\$	=

- 2. The costs as shown on the Actual Cost Certificate dated July 17, 2006 submitted to HUD for approval is in agreement with the PHA's records as of March 31, 2007.
- 3. All costs have been paid and all related liabilities have been discharged through payments.

St. Joseph, Michigan

FINANCIAL DATA SCHEDULE

FDS Line			Low Rent Program	C	Capital Fund Program		
Item No		_	14.850a		14.872	_	Tot <u>al</u>
	Assets:						
	Current Assets:						
	Cash						
111	Cash-unrestricted	\$	427,418.97	\$		\$	427,418.97
114	Cash-tenant security deposits	_	11,852.00			-	11,852.00
100	Total cash	_	439,270.97	_		-	439,270.97
	Accounts and notes receivable:						
125	Accounts receivable- miscellaneous		92.98				92.98
126	Accounts receivable- tenants-dwelling rents		1,087.00				1,087.00
126.1	Allowance for doubtful accounts-dwelling rents		(379.00)				(379.00)
129	Accrued interest receivable	-	44 <u>5.68</u>			-	445.68
120	Total receivables, net of allowance for doubtful accounts	_	1,246.66			_	1,246.66
	Current investments:						
131	Investments-unrestricted		75,748.36				75,748.36
142	Prepaid expenses and other assets	_	18,099.00			_	18,099.00
150	Total current assets	_	534,364.99	_		_	534,364.99
	Noncurrent Assets:						
	Fixed assets:						
161	Land		19,800.00				19,800.00
162	Buildings		2,906,017.30		13,519.80		2,919,537.10
163	Furniture, equipment and machinery-dwellings		37,926.00		1,832.00		39,758.00
164	Furniture, equipment and machinery-		70 120 70		6 752 55		76,883.33
	administration		70,130.78		6,752.55		94,349.73
165			94,349.73 (2,395,631.07)		(1,074.96)		(2,396,706.03)
166	•		(2,393,031.07)		55,857.52		55,857.52
167	Construction in progress	-		_		-	33,037.32
160	Total fixed assets, net of accumulated		445 504 5 :		57.007.0 :		900 470 65
	depreciation	-	732,592.74	_	76,886.91	-	809,479.65

St. Joseph, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

FDS Line			Low Rent Program 14.850a		Capital Fund Program 14.872		Total
Item No.		_	11.0502	-		_	
180	Total noncurrent assets	_	732,592.74	_	76,886.91	_	809,479.65
190	Total Assets	\$_	1,266,957.73	\$_	76,886.91	\$ ₌	1,343,844.64
	Liabilities and Equity: Liabilities: Current Liabilities:						
312	Accounts payable < 90 days	\$	(14,108.80)	\$		\$	(14,108.80)
322	Accrued compensated absences- current portion		(7,865.32)				(7,865.32)
333	Accounts payable -other government		(20,908.22)				(20,908.22)
34 I	Tenant security deposits		(11,852.00)				(11,852.00)
342	Deferred revenues		(5,297.00)	_		_	(5,297.00)
310	Total current liabilities	_	(60,031.34)	_		_	(60,031.34)
354	Noncurrent Liabilities: Accrued compensated absences- non current portion	_	(2,819.09)	_	<u></u>	_	(2,819.09)
350	Total noncurrent liabilities	_	(2,819.09)	_		_	(2,819.09)
300	Total liabilities	-	(62,850.43)	_		-	(62,850.43)
508.1	Equity: Investment in capital assets, Net of Related Debt	-	(732,592.74)	_	(76,886.91)	-	(809,479.65)
512.1	Unrestricted Net Assets	-	(471,514.56)	-		-	(471,514.56)
600	Total Liabilities and Equity	\$_	(1,266,957.73)	\$_	(76,886.91)	\$_	(1,343,844.64)

St. Joseph, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Revenue: \$ (319,471.00) \$	1.00) 2.94) 5.97) 0.98) 7.02)
705 Total tenant revenue (319,471.00)	1.00) 2.94) 5.97) 0.98) 7.02)
706 HUD PHA operating grants (127,287.00) (12,385.94) (139,67 706.1 HUD PHA capital grants	2.94) 5.97) 0.98) 7.02)
706.1 HUD PHA capital grants	5.97) 0.98) 7.02)
706.1 HUD PHA capital grants (23,755,97) (23,75 711 Investment income-unrestricted (20,100,98) (20,10 715 Other revenue (35,327,02) (35,32 700 Total revenue (502,186,00) (36,141,91) (538,32 Expenses: Administrative 57,28 57,28 912 Auditing fees 2,890,00 2,89 1,60 915 Employee benefit contributions-administrative 11,526,37 11,52 11,52 916 Other operating-administrative 23,354,98 1,578,94 24,93 Tenant services 24,585,00 24,58 921 Tenant services-salaries 24,585,00 9,22 923 Employee benefit contributions-tenant services 9,220,06 9,22 924 Tenant services-other 6,624,00 6,62	0.98) 7.02)
711 Investment income-unrestricted (20,100.98)	7.02)
Total revenue (35,327.02)	
## Total revenue ## (502,186.00) ## (36,141.91) ## (538,32) Expenses:	
Expenses: Administrative 911 Administrative salaries 912 Auditing fees 914 Compensated absences 915 Employee benefit contributions-administrative 916 Other operating-administrative 917 Tenant services 918 Tenant services 919 Tenant services 910 Tenant services 911 Tenant services 912 Tenant services 913 Employee benefit contributions-tenant services 914 Tenant services 915 Tenant services 916 Other operating-administrative 917 Tenant services 917 Tenant services 918 Tenant services 9,220.06 919 Tenant services 9,220.06	
Administrative 911 Administrative salaries 912 Auditing fees 914 Compensated absences 915 Employee benefit contributions-administrative 916 Other operating-administrative 917 Tenant services 918 Tenant services-salaries 929 Employee benefit contributions-tenant services 920 Tenant services-salaries 921 Tenant services-salaries 922 Tenant services-salaries 923 Employee benefit contributions-tenant services 924 Tenant services-other 925 Tenant services-other 926 Tenant services-other	<u>7.91)</u>
911 Administrative salaries 57,287.19	
911 Administrative salaries 2,890.00	97 10
912 Additing recs 1,604.45 1,60 914 Compensated absences 1,604.45 1,50 915 Employee benefit contributions-administrative 11,526.37 11,52 916 Other operating-administrative 23,354.98 1,578.94 24,93 Tenant services 921 Tenant services-salaries 24,585.00 24,58 923 Employee benefit contributions-tenant services 9,220.06 9,22 924 Tenant services-other 6,624.00 6,62	
914 Compensated abscices 11,526.37 11,52 915 Employee benefit contributions-administrative 11,526.37 24,93 916 Other operating-administrative 23,354.98 1,578.94 24,93 Tenant services 921 Tenant services-salaries 24,585.00 24,58 923 Employee benefit contributions-tenant services 9,220.06 9,22 924 Tenant services-other 6,624.00 6,62	
## Tenant services 1,578.94 24,92	
Tenant services 921 Tenant services-salaries 923 Employee benefit contributions-tenant services 924,585.00 925,006 926,007 927,006 928,007 929,006 920,006	
921 Tenant services-salaries 24,585.00 24,58 923 Employee benefit contributions-tenant services 9,220.06 9,22 924 Tenant services-other 6,624.00 6,62	33.92
921 Tenant services salaries 923 Employee benefit contributions-tenant services 9,220.06 9,22 924 Tenant services-other 6,624.00 6,62	9 5 00
924 Tenant services-other 6,624.00 6,62	
924 Tenant services-outer	
WO THE	24.00
Utilities 12.83	3 0 04
931 Waler	28.06
932 Electricity	62.37
933 Gas 76,918.50 76,91	18.50
Ordinary maintenance and operation	01.20
941 ()ramary maintenance and operation issue	91.20
942 Ordinary maintenance and operation-materials &	30.03
other 12,439.83 12,4-	39.83
943 Ordinary maintenance and operation-contract	07.01
costs 34,197.91 34,19	97.91
945 Employee benefit contributions-ordinary maintenance 16,265.79 16,26	65.79

St. Joseph, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872	Total
961 963 964	General expenses Insurance premiums Payments in lieu of taxes Bad debts- tenant rents	19,128.00 20,908.22 439.00		19,128.00 20,908.22 439.00
969	Total operating expenses	412,570.93	1,578.94	414,149.87
970	Excess (deficit) operating revenue over operating expenses	89,615.07	34,562.97	124,178.04
971 974	Extraordinary maintenance Depreciation expense	558.86 126,903.70	928.05	558.86 127,831.75
	Total expenses other than total operating	127,462.56	928.05	128,390.61
1000 1001 1002	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back Operating transfers in Operating transfers out	(37,847.49) 10,807.00	33,634.92 (10,807.00)	(4,212.57) 10,807.00 (10,807.00)
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ (27,040.49)	\$22,827.92	\$ (4,212.57)

Sailor

Certified Public Accountants

Khan & Co. LLC

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Commissioners St. Joseph Housing Commission St. Joseph, Michigan

We have audited the basic financial statements of the St. Joseph Housing Commission, Michigan, (Commission) as of and for the year ended March 31, 2007, and have issued our report thereon dated July 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency above is not a material weakness.

Khan & Co. LLC

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses.

The Commission's written response to the significant deficiency identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and uses of management, the Board of Commissioners, others within the Commission, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sailor, Khan & Co. LLC

July 18, 2007

St. Joseph, Michigan

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS

March 31, 2007

The prior audit report for the year ended March 31, 2006 contained no audit findings.

St. Joseph, Michigan

SCHEDULE OF FINDINGS AND RESPONSES

March 31, 2007

The current audit report for the year ended March 31, 2007 disclosed the following audit findings:

1.	Internal Control Policy
	Criteria:
	To ensure effectiveness of Internal Control, there needs to be an adequate design of internal controls describing the separation of primary functions. Internal control design must be considered to create effective segregation of primary duties and to strengthen the control environment.
	Condition:
	The Authority does not have an internal control policy.
	Questioned Costs:
	none
	Effect:
	With the adequate design of segregation of duties, there is the reduced risk of error and other intentional activities that could affect the integrity of the financial statements or physical custody of assets.
	Cause:
	The documentation of implemented internal control policies was lacking.
	Recommendation:
	We recommend the Authority's management and its Board design a system of internal control that would address all of the features of an effective internal control system with due consideration to the limitations imposed on the system.
	Management's Response/Action Plan:
	In addition to various adopted policies (check signing policy, capitalization policy, investment policy, functional transfer policy, rent collection policy), we will immediately develop an internal control policy that further defines responsibilities of the staff involved in purchasing, cash receipts, accounts payable, etc The Executive Director, Nancy Walker will be responsible for resolving this recommendation.

es 4		